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ANNUAL REPORT 1978

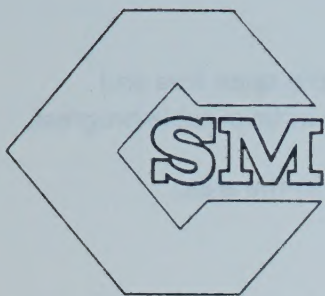
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CREAM SILVER MINES LTD.

n.p.l.

CREAM SILVER MINES LTD. (N.P.L.)

Registered Office:	Suite 202 - 900 West Pender Street, Vancouver, B.C. V6C 1L1
Transfer Agent:	Yorkshire Trust Company
Board of Directors:	Frank A. Lang, President Richard W. Hughes, Secretary Gardner S. Eldridge, Director
Auditor:	Morgan & Company, Chartered Accountants
Solicitors:	DuMoulin, Black, Brazier & Hall Barristers & Solicitors
Stock Exchange:	Vancouver - Listed Ticker Symbol - CEM
Capitalization:	Shares authorized : 10,000,000 Shares outstanding : 2,730,792



CREAM SILVER MINES LTD. [N.P.L.]

TELEPHONE 688-4691 C/O 202 - 900 WEST PENDER STREET, VANCOUVER, B.C. V6C 1L1

ANNUAL REPORT TO SHAREHOLDERS

Your Directors are pleased to present herewith the 1978 Annual Report of your Company together with Financial Statements and Auditor's Report for the year ended March 31, 1978.

The past year has been a quiet one for your Company what with poor markets and all. However this is now behind us and we think we see major improvements ahead.

Notably amongst improvements are the increased value of our holdings in Belmoral Mines Ltd. and Trident Resources, Inc. Belmoral Mines Ltd. is developing what is giving the appearance of becoming one of Canada's major gold mines. Plans for production from one zone are well advanced and recent diamond drilling has indicated at least another six zones, with much of the property still untested.

Trident Resources, Inc, has commenced exploration on two nickel-laterite properties, one of which is located in southern Oregon and the other in northern California where Ni-Cal Developments Ltd. is developing similar properties with apparent major success. The laterite situation is unique in that discovery has been relatively less important. The existence of the laterites has been well documented for years but, with the availability of lower priced nickel elsewhere, little development was done. In recent years, faced with a huge balance of payments deficit, the United States Government has conducted extensive research on an improved process and appears to have a major breakthrough. The laterites also contain large quantities of chromium and cobalt which are recoverable and of great additional value.

OIL and GAS PROSPECTS

In order to give an income base to your Company's operations, a minor interest in oil and gas prospects in Oklahoma has been acquired from Sweetwater Mineral Corporation of Vancouver. Should the present drilling of McGee Valley Gas Prospect prove successful, the Company will be assured of an excellent income over many years. The first well is now down about 3000 feet with a target below 9000 feet expected to be reached in late August or September. Cash from production from our first gas interests is expected this fall.

YUKON PROPERTIES

Under our agreement with Cyprus Anvil Mining Corporation on the 'KO' claims east of the Anvil orebody, some fifty percent of the geophysical work and other surveys has been completed and it is anticipated that deep diamond drilling will be commenced in the next year.

Negotiations with Welcome North Mines Ltd. for the acquisition of our 'CIVI' claims at Swim Lakes have been finalized, with the hope that successful results of drilling on their adjacent claims will benefit us as well. A 'long-shot' target of the AEX-Anvil orebody type overlaps both properties.

Similarly an interesting geophysical target exists on our 'MING' claims in the same area and negotiations with Cyprus Anvil Mining Corporation for their exploration are in favourable progress.

Work at Howard's Pass has been suspended pending further developments in the area.

BRITISH COLUMBIA PROPERTIES

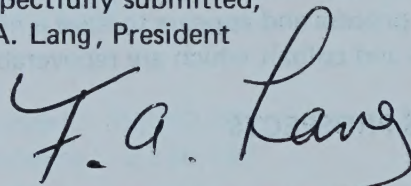
The only properties held by your Company in British Columbia are those in Strathcona Park on Vancouver Island. Of 166 claims, 113 are the subject of negotiations with the Provincial Parks Branch for their acquisition by the government and the other 53 are under option to Western Mines Ltd. Western's geologists appear to have developed some new theories about the potential for ore on their Price zone which is immediately adjacent to the optioned claims. It is reported that diamond drilling to test this area will begin again this July.

As for the other claims, officers of both the Parks and Mines' Branches are diligently studying our claim for compensation and as reported earlier, a recommendation in reply to our earlier requests may be available in a month or so.

OTHER PROSPECTS

In regard to other properties, a Syndicate, in which some of your Director's hold a majority interest, has acquired a gold prospect with the intention of optioning it to the Company if satisfactory to Regulatory Authorities. It is hoped to be able to discuss this in more detail at the Annual Meeting.

Respectfully submitted,
F. A. Lang, President



for the Board of Directors
Cream Silver Mines Ltd. (N.P.L.)

July 4, 1978.

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CREAM SILVER MINES LTD. (NON-PERSONAL LIABILITY)

FINANCIAL STATEMENTS

MARCH 31, 1978

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Morgan & Company

Chartered Accountants

1210-675 West Hastings Street
Vancouver 1, British Columbia
Telephone (604) 687-5841

John F. Morgan
Tor B. Barth
Lorne M. Beauchamp

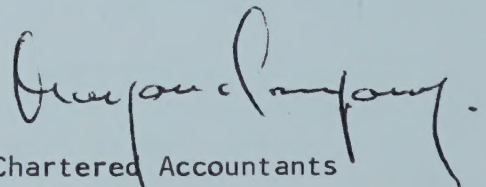
AUDITORS' REPORT

The Shareholders
Cream Silver Mines Ltd. (N.P.L.)
Vancouver, Canada

We have examined the balance sheet of Cream Silver Mines Ltd. (N.P.L.) as at March 31, 1978 and the statements of deferred exploration and administrative expenditures, deficit and of changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company as at March 31, 1978 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Vancouver, Canada
June 23, 1978


Chartered Accountants

CREAM SILVER MINES LTD. (NON-PERSONAL LIABILITY)

BALANCE SHEET

MARCH 31, 1978

(with comparative figures as at March 31, 1977)

	ASSETS	<u>1978</u>	<u>1977</u>
CURRENT ASSETS			
Cash		\$ 2,658.32	\$ 8,325.17
Accounts receivable and sundry advances, net		500.00	4,880.04
Investment in securities, at cost (market value \$ 129,829.32) (Note 2)		<u>31,458.18</u>	<u>31,458.18</u>
		<u>34,616.50</u>	<u>44,663.39</u>
INVESTMENT IN ABADON HOLDINGS N.L. (Note 3)			
Investment in 27,000 shares, at nominal value		<u>1.00</u>	<u>1.00</u>
EXPLORATION, OFFICE AND AUTOMOTIVE EQUIPMENT, at cost		10,125.90	10,125.90
Less accumulated depreciation (Note 1)		<u>10,062.90</u>	<u>9,863.58</u>
		<u>63.00</u>	<u>262.32</u>
INTEREST IN LIBRARY OF MINING BOOKS, at cost		1,000.00	1,000.00
Less accumulated depreciation		<u>1,000.00</u>	<u>1,000.00</u>
		-	-
INTEREST IN MINERAL PROPERTIES, at cost (Note 4)		<u>134,965.86</u>	<u>128,964.74</u>
DEFERRED EXPLORATION AND ADMINISTRATIVE EXPENDITURES, per attached statement		<u>199,946.86</u>	<u>179,443.65</u>
INCORPORATION COSTS		<u>890.74</u>	<u>890.74</u>
		<u>\$ 370,483.96</u>	<u>\$ 354,225.84</u>

Approved on behalf of the Board:

F. A. Lang

Director

A. R. Hughes

Director

	LIABILITIES	1978	1977
CURRENT LIABILITIES			
Accounts payable (Note 2)		\$ 39,400.18	\$ 35,144.29
Due to directors		1,228.81	4,147.44
		<u>40,628.99</u>	<u>39,291.73</u>

	SHAREHOLDERS' EQUITY		
SHARE CAPITAL			
Authorized:			
10,000,000 shares of 50¢ par value each			
Issued (Note 5)			
1,874,292 shares for cash (1977 -			
1,661,292 shares)		937,146.00	830,646.00
Less discount and commission		<u>334,271.75</u>	<u>261,272.25</u>
		<u>602,874.25</u>	<u>569,373.75</u>
856,500 shares for mineral properties			
(1977 - 791,500 shares)		428,250.00	395,750.00
Less discount		<u>299,345.00</u>	<u>275,345.00</u>
		<u>128,905.00</u>	<u>120,405.00</u>
<u>2,730,792</u> shares (1977-2,452,792 shares)		<u>731,779.25</u>	<u>689,778.75</u>

CONTRIBUTED SURPLUS			
Proceeds from sale of donated shares		2,340.00	2,340.00
DEFICIT, per attached statement		(404,264.28)	(377,184.64)
		<u>329,854.97</u>	<u>314,934.11</u>
		\$ <u>370,483.96</u>	\$ <u>354,225.84</u>

CREAM SILVER MINES LTD. (NON-PERSONAL LIABILITY)

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 1978

1. ACCOUNTING POLICIES

In common with most mining companies in the exploration stage the Company defers all direct expenditure on properties and areas in which it is interested and all administrative expenditure. At such time as the Company loses or abandons title or its interest in any property the accumulated expenditure on such property and the attributable portion of administrative expenditure are charged to deficit. If any property reaches commercial production applicable deferred expenditure will be amortized over the productive period. Depreciation for the year has been recorded on the Company's equipment at 20% of the original cost values as in previous periods.

2. INVESTMENTS

	<u>Market</u>	<u>Cost</u>
The investment consists of the following securities:		
60,000 escrowed shares of Belmoral Mines Ltd. (N.P.L.)\$	-	\$ 776.61
73,000 free shares of Belmoral Mines Ltd. (N.P.L.)	69,350.00	4,576.56
7,500 free shares of Dora Explorations Ltd. (N.P.L.)	2,325.00	5,000.00
25,000 free shares of Juniper Mines Ltd. (N.P.L.)	2,500.00	2,750.00
3,125 free shares of Cannon Resources Ltd.	500.00	5,136.50
106,066 free shares of Trident Resources Inc.	<u>55,154.32</u>	<u>13,218.51</u>
	\$ <u>129,829.32</u>	\$ <u>31,458.18</u>

The Company also owns beneficially 146,960 escrowed shares of Trident Resources Inc., a public company, representing together with the free shares above a 13.76% interest in that company which holds certain mineral claims in the Yukon, Oregon and California.

Subsequent to March 31, 1978 the Company surrendered by way of gift 40,500 of the escrowed shares of Belmoral Mines Ltd. (N.P.L.) as requested by that company due to the transfer of the escrow shares to apply on the Val d'Or property of that company. The Company also entered into an option agreement to sell additional Belmoral shares as follows:

- 12,000 free shares at \$ 1.00 by April 17, 1978 (sold)
- 4,875 escrowed shares at \$ 1.00 by September 1, 1978
- 4,875 escrowed shares at \$ 1.00 by September 29, 1978
- 9,750 escrowed shares at \$ 1.50 by June 30, 1979

Regarding the 73,000 free shares of Belmoral Mines Ltd. 10,000 of these shares are held in trust for the Company by its solicitors to serve as collateral for the Company's indebtedness to Western Mines Ltd.

CREAM SILVER MINES LTD. (NON-PERSONAL LIABILITY)

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 1978

2. INVESTMENTS - continued

During the year the Company also entered into an option agreement to dispose of a portion of the free shares of Trident Resources Inc. as follows:

53,033 shares at 10¢ before May 1, 1978 (sold subsequent to March 31, 1978)
26,517 shares at 40¢ before July 1, 1978

3. INVESTMENT IN ABADON HOLDINGS N.L.

The Company owns 27,000 shares of Abadon Holdings NL, an Australian Company engaged in mining exploration in South Australia. Due to the prolonged inactivity of that company the investment has been written down to a nominal value only.

4. INTEREST IN MINERAL PROPERTIES

The Company has the following interest in mineral properties:

- a) Vancouver Island claims, Alberni Mining Division, Province of British Columbia.

These claims, including some acquired under a purchase agreement and others subsequently staked, are owned by the Company and are located within a class 'B' park under the Park Act of the Province of British Columbia, and, accordingly, a Special Use Permit is required from the Government of British Columbia for exploration and development of the claims. The claims were acquired under the purchase agreement for the following consideration:

690,000 shares of the Company - attributed value	\$ 86,250.00	
Cash	<u>15,000.00</u>	\$ 101,250.00

Under an option agreement to acquire a possible 70% interest in the majority of these claims Western Mines Limited has paid to the Company \$ 10,000.00 cash and expended over \$ 100,000.00 on exploring and developing the claims before failing to comply with the terms of the agreement. By subsequent letters of agreement the original option agreement was renewed and the terms altered to provide for a postponement until 1980 of Western Mines' financial commitments for the years 1973 to 1975 and to include in the agreement 53 claims only.

Forward \$ 101,250.00

CREAM SILVER MINES LTD. (NON-PERSONAL LIABILITY)

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 1978

4. INTEREST IN MINERAL PROPERTIES - continued Forward \$ 101,250.00

The original option agreement called for the following cash commitments by Western Mines Limited:

1. Cash payments to Cream on July 1, 1973 - 1975 inclusive		\$ 30,000.00
2. Expenditures to be made on the property:		
Before December 31, 1973	\$ 200,000.00	
Before December 31, 1974	200,000.00	
Before December 31, 1975	<u>250,000.00</u>	
		<u>650,000.00</u>
		\$ <u>680,000.00</u>

The cost of the claims staked subsequent to the original purchase agreement have been included with the deferred exploration expenditures.

Regarding both the claims above which are subject to the agreement with Western Mines Limited and also the balance of the Vancouver Island claims which are all located in Strathcona Park, the Government of British Columbia, while having granted a moratorium on the payment of further fees and work requirements to keep the claims in good standing, has not extended the required Special Use Permit and consequently the Company is prevented from further exploring and developing the claims.

For this reason, and at the request of the Provincial Government, the Company has submitted a claim for the recovery of the cost of and expenditures on the claims and compensation for estimated lost potential revenue from the claims in the case that the permits are not renewed. The total amount claimed by the Company is \$ 19,500,000.00. The Company has not yet obtained from the Provincial Government a firm commitment regarding compensation and no provision has been made in the financial records of the Company for such claim since the outcome of this action is presently uncertain.

Forward \$ 101,250.00

CREAM SILVER MINES LTD. (NON-PERSONAL LIABILITY)

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 1978

4. INTEREST IN MINERAL PROPERTIES - continued Forward \$ 101,250.00

b) Pelly and Nahanni Rivers area, Nahanni Mining District,
Northwest Territories.

Approximately 200 claims (TO, HAT and NOR groups) were originally staked on behalf of the Company and Acheron Mines Ltd. (N.P.L.), each company having a $\frac{1}{2}$ interest in the claims. The costs of the staking have been included as deferred exploration expenditures.

The companies have entered into a number of agreements to dispose of a 90% interest in a majority of these claims. Some of the agreements have been completed while part of the consideration is still payable under other agreements.

c) Pelly River area, Watson Lake Mining District, Yukon Territory

The Company through a letter agreement has acquired a group of claims in this area in consideration for keeping the claims in good standing and granting the other party the right to 20% of any production proceeds (other party to pay 20% of equipping and operating costs).

d) Faro area, Whitehorse Mining District, Yukon Territory

The Company acquired these claims (K0 group) for the following consideration:

1. Cash	\$ 6,300.00	
2. 35,000 shares of the company		
- attributed value	<u>16,450.00</u>	\$ 22,750.00

Subsequently the Company sold a 50% interest in these claims to Belmoral Mines Ltd. (N.P.L.) for the following consideration:

1. Cash	3,150.00	
2. 35,000 shares of Belmoral		
- attributed value	<u>4,200.00</u>	<u>7,350.00</u>

15,400.00

Forward \$ 116,650.00

CREAM SILVER MINES LTD. (NON-PERSONAL LIABILITY)

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 1978

4. INTEREST IN MINERAL PROPERTIES - continued Forward \$ 116,650.00

Cream and Belmoral again have entered into other option agreements whereby they have granted to the optionees the right to acquire up to a 80% interest in the claims in consideration for the claims being kept in good standing by the optionees and specifically for a gravity survey and drilling programme and for one of the optionees to expend a minimum of \$ 100,000.00 on exploration and development of the claims by December 31, 1979. If the optionees acquire the 80% interest the Company's interest in the claims will be reduced to 10%.

e) Mt. Mye area, Whitehorse Mining District, Yukon Territory -

MING and CIVI group acquired for cash 3,000.00

The Company has granted options on these claims for another company to acquire a 50% interest in the claims in consideration for keeping the claims in good standing and conducting a gravity survey and a drilling programme on the property. The optionee may assign its interest to a third party and elect to receive 50% of Cream's interest. Cream is entitled to receive 50% of any such assignment consideration

f) Oil and Gas Prospects - State of Oklahoma, U.S.A.

The Company has acquired a working interest in three oil and gas prospects in Oklahoma for total cash consideration of 9,315.86

Under an agreement for the assignment of such interest the Company also has agreed to pay its pro-rata share of any development costs in order to keep its interest in good standing. Subsequent to March 31, 1978 the Company advanced further funds to acquire a working interest in the McGee Valley oil and gas prospect.

Forward \$ 128,965.86

CREAM SILVER MINES LTD. (NON-PERSONAL LIABILITY)

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 1978

4. INTEREST IN MINERAL PROPERTIES - continued Forward \$ 128,965.86

g) Exploration Syndicates

The Company has a 15% interest in the Abacorn syndicate and 22% interest in the Selwyn syndicate. The main assets of these two exploration syndicates are presently interests in Trident Resources Inc., a public company which holds mineral claims in the Yukon Territory and the States of Oregon and California. Thus Trident owes Abacorn approximately \$ 28,900 while Selwyn owns 668,000 shares of Trident. The net cost of the investment in these syndicates was cash payments of

6,000.00

\$ 134,965.86

5. SHARE CAPITAL

During the year 213,000 shares were issued for net cash proceeds of \$ 33,500.50 and 65,000 shares were issued for mineral properties at a deemed value of \$ 8,500.00

Stock options to the directors are outstanding as follows:

59,000 shares at 20¢ before February 1, 1979

One of the directors has notified the Company of his intention to exercise part of the option which expired on February 1, 1978 and accordingly will be purchasing 10,000 shares at 15¢. No funds have yet been received for this and none of these shares have been issued. The issue of the shares will be subject to regulatory approval.

6. DIRECTORS' REMUNERATION

During the year no remuneration was paid to any of the directors of the Company in their capacity as such while a company with which two of the directors were associated was paid and credited with a total of \$ 3,661.76 during the year in respect of management and office services including reimbursement of office expenses incurred on behalf of Cream Silver Mines Ltd. (N.P.L.) and two directors were credited with \$ 966.66 in respect of field services rendered. In addition the STAR mineral claims were purchased for \$ 3,500 (representing the vendors cost of acquisition) from a company with which one of the directors is associated.

CREAM SILVER MINES LTD. (NON-PERSONAL LIABILITY)

STATEMENT OF DEFERRED EXPLORATION AND ADMINISTRATIVE EXPENDITURES

FOR THE YEAR ENDED MARCH 31, 1978

(with comparative figures for the year ended March 31, 1977)

EXPLORATION EXPENDITURES					
Per attached schedule					
	\$ 172,878.12	\$ 8,547.77	\$ 73,171.43	\$ 11,046.24	\$ 7,089.90
					\$ 112,210.80
ADMINISTRATIVE EXPENDITURES					
Salaries and benefits	29,705.21	142.20	-	-	29,847.41
Rent and telephone	8,538.41	1,737.69	-	2,562.36	12,838.46
Printing and advertising, office expense	21,102.68	1,879.92	-	2,538.24	25,520.84
Legal, audit and accounting fees and disbursements	41,815.53	8,051.11	-	7,975.08	57,841.72
Transfer agent fees and disbursements	10,115.63	715.88	-	1,495.94	12,327.45
Stock exchange fees	8,142.03	2,180.00	-	900.00	11,222.03
Interest and bank charges	4,657.01	2,078.52	-	940.75	7,676.28
Travel expense	6,616.58	1,085.16	-	2,496.58	10,198.32
Management and supervision	15,515.40	9,000.00	-	1,100.00	25,615.40
Depreciation	8,000.84	755.81	-	199.32	8,955.97
Other	7,035.34	2,304.17	-	2,312.42	11,651.93
	161,244.66	29,930.46		22,520.69	213,695.81
Less: interest income	10,711.20	461.83		307.73	11,480.76
sundry income	2,012.90			116.09	2,128.99
	148,520.56	29,468.63		22,096.87	200,086.06
Less charged to deficit	58,800.00	-	48,000.00	-	112,350.00
	89,720.56	29,468.63	48,000.00	22,096.87	87,736.06
TOTAL DEFERRED EXPLORATION AND ADMINISTRATIVE EXPENDITURES - to balance sheet					
	\$ 262,598.68	\$ 38,016.40	\$ 121,171.43	\$ 33,143.11	\$ 199,946.86
					\$ 12,639.90

CREAM SILVER MINES LTD. (NON-PERSONAL LIABILITY)

SCHEDULE OF DEFERRED EXPLORATION EXPENDITURE

FOR THE YEAR ENDED MARCH 31, 1978

(with comparative figures for the year ended March 31, 1977)

	Balances March 31, 1976	Expenditures year to March 31, 1977	Charged to deficit year to March 31, 1977	Expenditures year to March 31, 1978	Charged to deficit year to March 31, 1978	Balances March 31, 1978
Vancouver Island, Alberni Mining Division, Province of British Columbia	\$ 87,056.32					\$ 87,056.32
Pelly River area, Watson Lake Mining District, Northwest Territories				\$ 1,160.00		1,160.00
Pelly and Nahanni Rivers area, Nahanni Mining District, N. W. T.	81.64					81.64
Ross River area, Watson Lake Mining District, Yukon Territory	59,190.09	\$ 1,599.01	\$ 60,049.10	(740.00)		
Tranquille area, Kamloops Mining Division Province of British Columbia	6,740.45	653.27	7,393.72			
Quesnel and Maeford Lake area, Cariboo Mining Division, Province of B.C.	3,628.61		3,628.61			
Faro area, Whitehorse Mining District Yukon Territory	6,685.86					6,685.86
Mt. Mye area, Whitehorse Mining District, Yukon Territory	9,495.15	1,323.70				10,818.85
Miller Lake area, Province of Saskatchewan		2,403.79			2,403.79	
Squamish - Mamquam area, Vancouver Mining Division, Province of British Columbia		468.00		200.00	668.00	
Oil and Gas Prospects, State of Oklahoma, U.S.A.				6,408.13		6,408.13
Sundry areas		2,100.00	2,100.00	4,018.11	4,018.11	
TOTAL EXPLORATION EXPENDITURES - to						
Statement of Deferred Exploration and Administrative Expenditure	\$ 172,878.12	\$ 8,547.77	\$ 73,171.43	\$ 11,046.24	\$ 7,089.90	\$ 112,210.80

CREAM SILVER MINES LTD. (NON-PERSONAL LIABILITY)

STATEMENT OF DEFICIT

FOR THE YEAR ENDED MARCH 31, 1978

(with comparative figures for the year ended March 31, 1977)

	<u>1978</u>	<u>1977</u>
BALANCE AT BEGINNING OF THE YEAR	\$ 377,184.64	\$ 212,121.41
LOSS (PROFIT) ON DISPOSAL OF INVESTMENTS		(345.70)
DECREASE (INCREASE) IN VALUE OF SECURITIES RECEIVABLE	(150.00)	687.50
COST OF INTEREST IN ABANDONED MINERAL PROPERTIES	15,314.74	43,550.00
EXPENDITURES INCURRED ON MINERAL PROPERTIES		
ABANDONED, per attached statement	12,639.90	121,171.43
RECOVERY OF PRIOR PERIOD'S ADMINISTRATIVE EXPENDITURE	<u>(725.00)</u>	<u> </u>
BALANCE AT END OF THE YEAR	\$ <u>404,264.28</u>	\$ <u>377,184.64</u>

CREAM SILVER MINES LTD. (NON-PERSONAL LIABILITY)

STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE YEAR ENDED MARCH 31, 1978

(with comparative figures for the year ended March 31, 1977)

	<u>1977</u>	<u>1976</u>
SOURCE OF FUNDS		
Net proceeds from the issue of shares from the treasury	\$ 33,500.50	\$ 12,000.00
Repayment of advances to Trident Resources Inc. net		115.59
Sale and reclassification of shares of Trident Resources Inc.	13,218.51	2,947.50
Increase in value of securities receivable	150.00	
Recovery of prior period's administrative expenditure	725.00	
	<u>47,594.01</u>	<u>15,063.09</u>
APPLICATION OF FUNDS		
Acquisition of interest in mineral properties	<u>12,815.86</u>	<u>7,914.74</u>
Exploration and administrative expenditures, per attached statement - net of interest and other income	33,143.11	38,016.40
Less: Non cash expenditures - depreciation	199.32	755.81
- bad debt expense (non current item)		2,100.00
	<u>32,943.79</u>	<u>35,160.59</u>
Loss on disposal of investments		732.43
Decrease in value of securities receivable under claims agreement		687.50
	<u>45,759.65</u>	<u>44,495.26</u>
INCREASE (DECREASE) IN WORKING CAPITAL	1,834.36	(29,432.17)
WORKING CAPITAL (DEFICIENCY) AT BEGINNING OF THE YEAR	<u>(7,846.85)</u>	<u>21,585.32</u>
WORKING CAPITAL (DEFICIENCY) AT END OF THE YEAR	\$ <u>(6,012.49)</u>	\$ <u>(7,846.85)</u>
REPRESENTED BY:		
Current assets	\$ 34,616.50	\$ 31,444.88
Less current liabilities	<u>40,628.99</u>	<u>39,291.73</u>
	\$ <u>(6,012.49)</u>	\$ <u>(7,846.85)</u>

CREAM SILVER MINES LTD. (N.P.L.)

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of the Shareholders of CREAM SILVER MINES LTD. (N.P.L.) (hereinafter called "the Company") will be held in the Board Room at the offices of Messrs. DuMoulin, Black, Brazier & Hall, Suite 202 - 900 West Pender Street, Vancouver, B.C., on Thursday, 27 July 1978, at the hour of 10:00 o'clock in the forenoon (Vancouver time) for the following purposes:

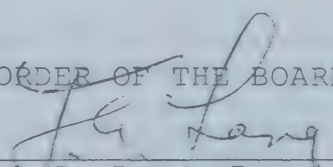
1. To receive and consider the report of the Directors and to receive and approve the Financial Statements of the Company for the fiscal year ended 31 March 1978 and the Auditors' Report thereon;
2. To elect Directors for the ensuing year;
3. To appoint Auditors for the ensuing year and to authorize the Directors to affix the remuneration to be paid to the Auditors;
4. To transact such other business as may properly come before the Meeting.

Accompanying this Notice of Meeting is an Information Circular, Proxy Instrument, Notes to Proxy, Financial Statements for the fiscal year ended 31 March 1978, the Auditors' Report thereon, and the report of the Directors. If you are unable to attend the Annual General Meeting in person, kindly read the notes accompanying the Instrument of Proxy enclosed and complete and return the Proxy within the time and to the location as set out in the said Notes.

The enclosed Proxy form is solicited by Management and you may amend it, if you so desire, by striking out the name listed therein and inserting in the space provided the name of the person you wish to represent you at the Meeting.

DATED at Vancouver, B.C., this 4th day of July A.D. 1978.

BY ORDER OF THE BOARD



Frank A. Lang, President

CREAM SILVER MINES LTD. (N.P.L.)

INFORMATION CIRCULAR

AS AT 4 JULY 1978, FOR THE ANNUAL GENERAL MEETING OF SHAREHOLDERS TO BE HELD ON 27 JULY 1978.

1. REVOCABILITY OF PROXY

The shares represented by Proxies received by the Management will be voted in accordance with the instructions given thereon by the shareholders, and in the absence thereof, will be voted in favour of the proposals. Any shareholder giving a Proxy has the power to revoke at any time before it is exercised. The giving of a Proxy will not affect the shareholder's right to vote in person should the said shareholder decide to attend the Meeting after giving the said Proxy. No matters other than those stated in the attached notice are known to be in prospect at the Meeting, but if such matters should arise, Proxies will be voted in accordance with the discretion of the individual Proxy named.

2. PERSONS OR COMPANIES MAKING THE SOLICITATION

This Information Circular is furnished in connection with the solicitation of Proxies by the Management of CREAM SILVER MINES LTD. (N.P.L.) (hereinafter called "the Company") and the cost of this Proxy solicitation will be borne by the Company.

3. INTEREST OF CERTAIN PERSONS AND COMPANIES IN MATTERS TO BE ACTED UPON

No Director or Senior Officer of the Company or any proposed nominee of the Management of the Company for election as a Director of the Company, nor any association of the foregoing persons has any substantial interest direct or indirect, by way of beneficial ownership or otherwise in matters to be acted upon at the said Meeting other than the election of Directors or the appointment of Auditors, except for any interest from the ownership of shares of the Company where the shareholder received no extra or special benefit or advantage not shared on a pro rata basis by all holders of shares in the capital of the Company.

4. VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

To the knowledge of the Directors and Senior Officers of the Company, the following persons or companies own beneficially, or of record, shares carrying more than 10% of the outstanding shares of the Company:

<u>NAME AND ADDRESS</u>	<u>NO. OF SHARES</u>	<u>PERCENTAGE</u>
VANCOUVER STOCK EXCHANGE SERVICE CORP. 536 Howe Street Vancouver, B.C.	1,170,650	43%

The Company does not know the beneficial owner of the above shares.

The authorized capital of the Company is 10,000,00 shares with a par value of 50¢ each. At the date hereof, there are issued and outstanding 2,730,792 shares and each such share issued and outstanding is entitled to one vote. Only those shareholders of record on the 4th day of July 1978, shall be entitled to vote at the forthcoming Meeting. The Company has at present only one class of shares.

5. ELECTION OF DIRECTORS

The persons named in the enclosed Instrument of Proxy intend to vote for the election of a Board of Directors comprised of three persons. Those proposed to be nominated are presently Directors of the Company. The names of the nominees are set forth below.

Management proposes to submit a motion to the Meeting that the persons nominated as Directors of the Company be elected as Directors by one resolution (slate voting). This proposed resolution is only effective if it is passed by not less than seventy-five per cent of the votes being cast with respect to the resolution. If the resolution is not passed each Director shall be voted on by separate resolution.

Each Director elected will hold office until the next Annual General Meeting or until his successor is duly elected, unless his office is earlier vacated in accordance with the Articles of the Company.

6. INFORMATION CONCERNING NOMINEES

<u>NAME AND ADDRESS</u>	<u>OCCUPATION (1)</u>	<u>YEAR FIRST BECAME A DIRECTOR</u>	<u>COMMON SHARES OWNED (2)</u>
FRANK A. LANG 1575 Rena Cresc. W. Vancouver, B.C.	Professional Engineer	1966	301,861 2/3
RICHARD W. HUGHES 2484 Ottawa Ave. W. Vancouver, B.C.	Business Executive	1966	3,500
GARDNER S. ELDRIDGE 2907 - W. 42nd Ave. Vancouver, B.C.	Retired; Metallurgical Engineer	1966	48,000

(1) Each of the above named nominees has held the principal occupation indicated for at least five years.

(2) Common shares beneficially owned by Directors (directly or indirectly) as of 4 July 1978.

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Advance notice of the Annual General Meeting of the Shareholders was published in the 16 May 1978 edition of the Vancouver Province.

7. APPOINTMENT AND REMUNERATION OF AUDITORS

The persons named in the enclosed Instrument of Proxy will vote for the re-appointment of Messrs. Morgan & Company, Chartered Accountants, #1210 - 675 West Hastings Street, Vancouver, B.C., as Auditors of the Company to hold office until the next Annual General Meeting of the Shareholders at a remuneration to be affixed by the Board of Directors.

8. REMUNERATION OF MANAGEMENT AND OTHERS

Particulars of the aggregate direct or indirect remuneration paid or payable by the Company and its subsidiaries to the Directors and Senior Officers of the Company during the past year are as follows:

No remuneration was paid to any Director in his capacity as such. One Company with which two of the Directors were associated, was credited with \$3,661.76 with respect to management and office services, including re-imbusement of office expenses. Two Directors were credited with \$966.66 for field services rendered. In addition, the Star Mineral Claims were purchased for \$3,500 representing the vendor's cost of acquisition from a Company which one Director is associated with.

By Stock Option Agreements dated 1 January 1977, the Company has agreed to grant Frank A. Lang, the President and a Director of the Company, and Richard W. Hughes, the Secretary and a Director of the Company, options each to purchase up to 59,000 shares in the capital stock of the Company as follows:

- (a) An option to purchase 29,500 shares at 15¢ per share on or before 1 February 1978;
- (b) An option to purchase 29,500 shares at 20¢ per share on or before 1 February 1978.

In order to exercise the above options, Messrs. Lang and Hughes must give notice to the Company, whereupon the Company shall have the transaction approved by the Superintendent of Brokers and the Vancouver Stock Exchange.

No pension or retirement benefit plans for Directors or Senior Officers have been instituted by the Company or any of its subsidiaries or any Company associated with it in management and none is proposed at this time.

Save as set out above, no remuneration has been paid, directly or indirectly, to any Senior Officer or Director by

the Company or its subsidiaries pursuant to any plan or otherwise.

None of the Directors or Senior Officers of the Company or their associates has been indebted to the Company since the commencement of the last completed fiscal year of the Company.

9. INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

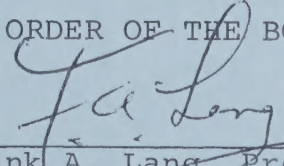
No Director, Senior Officer or proposed nominee for election as a Director of the Company herein named, no shareholder holding greater than 10% of the issued capital of the Company and no associate or affiliate of the foregoing persons has or has had any material interest, direct or indirect, in any transaction since the commencement of the Company's last completed financial year, or in any proposed transaction which in either such case has materially affected or will materially affect the Company.

10. PARTICULARS OF OTHER MATTERS TO BE ACTED UPON

The Management of the Company knows of no matters to come before the said Meeting other than the matters referred to above and in the Notice of Meeting. However, if any other matters which are not now known to the Management of the Company shall properly come before the said Meeting, the Proxy given pursuant to this solicitation by the Management of the Company will be voted on such matters in accordance with the best judgment of the person voting the Proxy.

DATED at Vancouver, B.C., this 4th day of July A.D. 1978.

BY ORDER OF THE BOARD



Frank A. Lang, President

